



Early Journal Content on JSTOR, Free to Anyone in the World

This article is one of nearly 500,000 scholarly works digitized and made freely available to everyone in the world by JSTOR.

Known as the Early Journal Content, this set of works include research articles, news, letters, and other writings published in more than 200 of the oldest leading academic journals. The works date from the mid-seventeenth to the early twentieth centuries.

We encourage people to read and share the Early Journal Content openly and to tell others that this resource exists. People may post this content online or redistribute in any way for non-commercial purposes.

Read more about Early Journal Content at <http://about.jstor.org/participate-jstor/individuals/early-journal-content>.

JSTOR is a digital library of academic journals, books, and primary source objects. JSTOR helps people discover, use, and build upon a wide range of content through a powerful research and teaching platform, and preserves this content for future generations. JSTOR is part of ITHAKA, a not-for-profit organization that also includes Ithaka S+R and Portico. For more information about JSTOR, please contact support@jstor.org.

Unemployment and Its Alleviation

By B. SEEBOHM ROWNTREE

President, Rowntree and Company, York, England

PERHAPS there is no subject which demands the consideration of serious men and women today so urgently as that of unemployment. It is, indeed, a huge world tragedy. In all industrialized countries there are, at present, probably more unemployed people than there have ever been before at any given time. Human civilization is passing through a crisis, the severity of which is already leading to a complete change of attitude on the part of those who have been inclined to view "the unemployed problem" with indifference, if not to accept it as something which, like bad weather, may be objectionable but is completely beyond our control. Unemployment is not a meteorological problem. It is a human problem, to be solved by human beings, a problem so imperative that one is astounded to find that even working men often regard it with a kind of gloomy fatalism. Let us hope that the suffering and suspense which we see all around us today may shake the most apathetic of us out of our cool acquiescence.

I will begin by stating my profound conviction that unemployment *is* a soluble problem, an evil which can be remedied. There are social evils which, throughout the centuries, have baffled human intelligence. They are due to fundamental and very complicated causes, and the wisest men may differ as to the direction in which the remedy should be sought. But it is not so with unemployment. Our resources of wit and wisdom, of economic and industrial knowledge and experience, are sufficient to cope with this evil, if

we will only use them. I do not say that as yet civilization can completely dispense with unemployment. But we can change its character in two ways. We can so reduce its volume that it represents merely the body of workers who, at any given time, are held in reserve by industry for strategic reasons. And we can rob it, when it exists, of all its power to inflict any serious injury on either the individual or the community.

NO SINGLE PANACEA FOR ILLS OF UNEMPLOYMENT

I should like to indicate some of the roads by which we must travel, if we are to attain this end. Mark, I do not speak of "the road." There is no single panacea for healing all the ills which we call to mind when we speak of unemployment. I agree with Rabelais, who said, "Beware of men who peer out of one hole—they are rabbits!" And I should profoundly distrust anyone who wished to patent some single method of solving the problem before us. We must approach it from many directions, and employ many partial remedies. It is, if you will, a giant evil, and we are Lilliputians; and yet—how soon the Lilliputians had Gulliver bound hand and foot, when once they worked together. If only we grasped, today, the practical import of Swift's old fable, all would be well.

My subject falls under two headings. These are the reduction of the volume of unemployment, and the mitigation of the hardship, suffering and demoralization arising out of whatever unem-

ployment it is impossible to avoid. I will take these in sequence, merely saying at the outset that I am not proposing to deal with the abnormal situation that the War has created, and which still demands the use of many emergency methods.

THE REDUCTION OF THE VOLUME OF UNEMPLOYMENT

First of all, we must try to find out the magnitude of the problem, and here we are faced by the fact that there are no reliable and complete unemployment statistics over a number of years for any single country. Thus, we cannot so compare different countries as to generalize as to the causes of unemployment with certainty and precision. To my mind, the Labor Department of the League of Nations can undertake scarcely any activity more useful than the compilation of reliable statistics in this connection. That, of course, would involve initial agreement upon some definition of unemployment. What is it? What is its relation to short-time? If fifty men are working half-time, they are only doing the work which could be done by twenty-five men: and it is difficult to know whether to call them employed or unemployed. But we may here, perhaps, without concerning ourselves with borderline cases or with the individual who is waiting for some job particularly adapted to his desires and will not work till he gets it, define an unemployed person as "one who is seeking work for wages, but unable to find any suited to his capacities and under conditions which are reasonable, judged by local standards."

NECESSITY FOR COMPLETE UNEMPLOYMENT STATISTICS

Now, as I said, there is a very great lack of precise information with regard to unemployment taken in this broad

sense. The lack is greater in America than in England, but the advantage of the latter country may be called accidental, arising mainly from the fact that England has a system of national unemployment insurance, and anyone who wishes to take advantage of it must register himself as unemployed. Again, the British Trade Union Statistics furnish some help in this matter. Between 1888 and 1913 unemployment varied in Great Britain, in the trade unions which made returns, between 2.1 per cent in 1889 and 7.7 per cent in 1913. To what extent those percentages were typical of the whole industrial population we cannot precisely tell; but we are justified in believing that, apart from the unprecedented conditions arising out of the War, the average proportion of unemployed workers can be stated roughly as about 5 per cent. In other words, in Great Britain, taking the average of good and bad years, but ignoring the quite exceptional circumstances due to the War, five workers are unemployed for every ninety-five who are employed. There is no reason to believe that in other industrial countries such as the United States, France, Italy and Germany the percentage of unemployment is substantially different, although in Belgium it is somewhat lower, for reasons which I will presently state.

CORRELATION OF GOVERNMENT AND MUNICIPAL ORDERS WITH STATE OF LABOR MARKET

Now, when we have some rough notion as to the amount of unemployment, the first step towards its reduction will be, I think, to allocate the orders for government and municipal services and goods in accordance with the state of the labor market—retarding them when trade is booming, and placing them when it is depressed. It has been authoritatively estimated

that orders for work involving the payment of wages to the extent of about 250 million dollars a year could thus be given out or held back in Great Britain in accordance with the state of trade. Such a policy, if adopted, would help materially to even out the curve of unemployment. Suppose trade cycles covered ten years, and that every ten years witnessed a period of acute depression. If, in the previous nine years, orders had been held back for necessary post-offices, harbors, government buildings, etc., there would be a huge surplus with which to meet the time of stress. Joseph solved the problem of fat years and lean years in Egypt long ago!

Then, of course, additional work might be undertaken at such a time, work which, if not absolutely necessary, is eminently desirable, such as afforestation or the reclamation of waste land. Again, parks and gardens might be laid out, or buildings put up, the erection of which, though hardly to be justified by normal economic considerations, is all to the good. The latter items, perhaps, are not very important, but we must consider even small contributions to the solving of our problem.

IRRELEVANCE OF PROTECTIONIST THEORY

On the subject of the political arrangements which a country adopts, I need say only a few words. As you know, many people tell us: "The reason why men in America or England are unemployed is that they allow foreigners to steal their jobs. If you want to reduce unemployment, you must close your ports by high import duties, and prevent foreign goods from coming into your country."

I have only one criticism to offer of this counsel. It is that whatever records are available on the subject of unemployment seem to show that there

is no difference in this respect between countries which are Protectionist and countries which are Free Trade!

REGULATION OF THE LABOR MARKET

The third method of reducing the volume of unemployment is the regulation of the labor market. In Britain, we have a system of Employment Exchanges, at which anyone who wants work can register free. The cost of these Exchanges is met by the government. A man registers at one of them giving his qualifications, as *e.g.* carpenter, and stating that he wants work. Meanwhile, there are numbers of local employers who notify the Exchange if they want men. The official at the Exchange, if an employer has "ordered," so to speak, a carpenter, can simply send this applicant. But if there are no local vacancies for workers of his class, the Exchange official gets in touch with Employment Exchanges in other cities. Possibly in another center there may be an opening for carpenters. This system extends all over Britain, and has certainly helped to render labor more mobile, and to bring the man and the job together. Suppose there were such an Exchange in Philadelphia, and an optical instrument maker went to it and registered. The official might say: "No, we've nothing for you in Philadelphia." But a circular letter containing the man's qualifications, would immediately go out to all other Employment Exchanges within a given area. Of course, Britain is so small that we can take in the whole of it as one given area, but one area might include Philadelphia and New York; and quite probably, the next morning that official would have a telephone message, or a letter, telling him that an optical instrument maker was wanted in New York.

Now this method, by rendering labor more fluid, lessens the number of labor reserves. We may take an illustration from the dock laborers. Suppose there are ten separate docks, each of them busy on some days and idle on other days, and each of them keeping round its gates a sufficient supply of workers to meet the rush on busy days. These workers become attached to that particular dock, even if the work they get is extremely intermittent. They hang round on the chance of a job, as do the other groups of workers attached to the other nine docks. This means ten distinct reserves of labor. An Employment Exchange would merge these ten reserves into one, simultaneously reducing the bulk of each, since all ten docks would never be especially busy on the same day. In other words, the common reserve would be much smaller than the sum of ten separate reserves. The result would be that the workers retained would secure work that was much more regular, although it involved going first to one dock and then to another, while the workers crowded out would give up hanging about the dock gates, and gradually become absorbed in some other department of the labor market.

TRANSIT FACILITIES, BELGIUM'S SOLUTION

Another method of reducing the volume of unemployment has unconsciously been adopted in Belgium. In Belgium, facilities for cheap and rapid transit have been developed more extensively than in any other country in the world. It has a larger mileage of heavy and light railway per square mile of its territory than any other country, and workmen's tickets can be bought very cheaply indeed. The result is that men can work in the town and live in the country, and in 1911,

when I investigated the matter, I found that 56 per cent of the working men in Belgium actually did so, though only 23 per cent were primarily engaged in agriculture. All those who lived in the country, however, had gardens, which practically furnished them with a kind of reserve trade. A Belgian, so circumstanced, when he cannot find work in town, spends the time on his land, doing the heavy work there, so that when industry once again claims him, his wife and children may have only the lighter work to do. Many Belgians, again, keep hens, or pigs, or rabbits. A man can slip up to town early, see if there is a prospect of employment, and, if there is not, come straight back to his garden. This is done by the longshoremen of Antwerp, 85 per cent of whom live in the country. And if trade depression lasts long, the family is not left altogether without work or without resources. They may have to live hardily, but they can manage to live.

MITIGATION OF THE HARDSHIPS OF UNEMPLOYMENT

I come now to my second heading. We have considered some of the methods by which unemployment can be reduced. But there seems little doubt that whatever steps are taken in this direction, there will still remain, at any given time, a proportion of men for whom work cannot be found. Such a margin, at present, and possibly under any conceivable system, is necessary for the proper functioning of industry, which otherwise would tend to become static, merely by its inability to call up a fresh reserve in case of contingencies. Industry really needs to have extra workers available, just as we need in our daily life to have a few extra dollars to meet some additional expense or emergency.

But if industrial progress and pros-

perity demand the presence of this human reserve, it seems to me logically inevitable that industry ought to maintain it. In the first place, to do so is an ordinary business precaution. We do not neglect valuable machinery if for a few days or weeks it happens to be idle. We know that we shall need it again, and we keep it in good condition. Surely we owe as much to the man behind the machine! In the second place, we owe a decent maintenance to the unemployed worker as his right. Under the existing system, the capitalist practically asks the worker to co-operate with him in an industrial undertaking. He guarantees the latter's wages so long as the undertaking continues, but he claims the whole of any profits left over because, as he asserts, he is "taking all the risks." Now one of the gravest risks in industry is unemployment in times of trade depression. If this risk is borne entirely by the worker, the capitalist is clearly not fulfilling his part of the bargain.

A PLEA FOR UNEMPLOYMENT INSURANCE

I know that in some quarters there is a strong feeling against unemployment insurance. I believe that feeling is based upon unsound beliefs and arguments. It is frequently asserted in America that unemployment insurance has been a failure in England.

But that is far from being the case. Rather, our scheme of insurance, inadequate as it is, has, in my opinion, saved us from something like a revolution, and at the least from very serious civil riots. It must be borne in mind that there is nothing intrinsically demoralizing in unemployment insurance. Its reactions largely depend on the nature of the scheme. In England, insurance benefits do not drop down from the skies for every lazy workman. The method is one of mutual insurance, to which the workman, every week when he is in work, pays 14 cents, and the employer pays 16 cents. When the man is out of work, he gets about \$3.60 a week.¹ It is no more demoralizing to receive it than it is to receive a pension paid for in part by oneself and in part by one's employer.

ECONOMIC LOSS THROUGH THE MENACE OF UNEMPLOYMENT

What is demoralizing, what is dangerous, is a state of things in which this terrible menace of unemployment is constantly hanging, like a black cloud, over the worker's life—in which he is completely at the mercy of fluctuations in trade over which he has no shadow of control. They may, indeed, be owing to some seasonal calamity at the other side of the world, which is beyond human control altogether. No matter how capable, how honest, or

¹ The weekly contributions made by the workers and the employers, as well as the benefits to the unemployed, have recently been increased and now stand as follows:

Contributions:

	<i>Men</i>	<i>Women</i>	<i>Boys</i> (16 to 18)	<i>Girls</i> (16 to 18)
Workers.....	18c.	14c.	9c.	8c.
Employers.....	20c.	16c.	10c.	9c.

Weekly Benefits:

Men.....	\$3.60, plus \$1.20 for a dependent wife, and 24c. for each dependent child under 14.
Women.....	\$2.88
Boys.....	\$1.80
Girls.....	\$1.44

how industrious the individual may be, he cannot escape from this black cloud. We may say: "He can live on his savings when unemployment comes." But the evil may come perhaps in early middle life, when the expenses of his household are at the maximum, and he has been unable to save. If on the other hand, it comes later, a period of unemployment will soon eat up the small provision he has made against old age. This is not fair.

It is sometimes said that many working men "will not give a full day's work." Now, I put this question to you. If you were a bricklayer with a wife and family, and it was winter time, and you knew that when the job on which you were engaged was finished you had little hope of another—would you work at top speed? Or would you dawdle and slack, and make excuses, and try to "nurse the job?" You would "nurse" it, if you were human, and so would I. What is more, I would recommend my "mates" to do the same!

Now we can dissipate the black cloud of anxiety from the working man's horizon if we take a little trouble and use a little common sense. Let me remind you that taking the average over a number of normal years, there are ninety-five workers employed to five unemployed. What does this mean? Simply that an addition of 5 per cent to the wage bill would suffice to pay each unemployed worker his full wages during unemployment. Therefore, the financial difficulty is not insuperable. I am not for a moment suggesting that the above course should be pursued. Human nature is not yet so far evolved that it would be wise to pay a man the same wage when he is not working as when he is working. At the same time, he should be paid sufficient to secure him and his family against serious privation or hardship.

A PRACTICAL SCHEME OF UNEMPLOYMENT INSURANCE

To come to what I consider practical politics, I will very briefly outline a scheme for unemployment insurance drawn up by an unofficial committee of employers, economists and labor men which met many times in London and of which I was a member. We suggested that under this scheme every unemployed worker should receive, for a maximum period of twenty-six weeks in any one year, half of his average earnings when at work. A married man should receive in addition 10 per cent of such earnings for a dependent wife, and 5 per cent for each dependent child under 16, with a maximum of 75 per cent of his average earnings. Calculations showed that the cost of providing these benefits in Britain for 5 per cent of the workers (the figure taken as the proportion of unemployed persons over a number of years) would amount to about 282 million dollars per annum or 4 per cent of the wage bill.

The question—"Who will pay the premiums?"—was discussed a long while by the committee before, in true English fashion, we decided on a compromise, and proposed that the cost of the scheme should be borne jointly, as at present, by the State, the worker and the employer. Briefly, the plan was this:

1. Premiums equal to $2\frac{1}{2}$ per cent of the wage bill (or 185 million dollars) would be paid by the employers.

2. Premiums of a little under 1 cent on every dollar of their earnings (equal to 75 million dollars) would be paid by the workers.

3. Twenty-two million dollars a year would be paid by the State, which would also bear the cost of administration. This 22 millions was the sum already being paid by the State for

unemployment insurance when the scheme was worked out.

SUCCESSFUL EXPERIMENT UNDER THE SCHEME

We hoped that the government would see fit to introduce this scheme, leaving industries free to contract out of it if they could guarantee equal or better benefits. This hope has not yet been realized, but my own firm came to the conclusion that, while waiting for the government, we ourselves could do something, so we introduced a similar scheme in our own factory in York. We set aside 1 per cent on our wage bill (in addition, of course, to the contributions we make under the National Insurance Act) and we undertook to continue to set this aside till the sum amounted to 5 per cent of the wage bill, after which our contributions would be altered to the sum necessary to maintain the fund at 5 per cent of the wage bill, with a maximum liability in any one year of 1 per cent of the wages. The majority of our employes belong to a trade union which, for a payment of 4c a week, allows them \$1.40 weekly when unemployed. Thus, when the scheme was inaugurated, an unemployed man already got \$5 (\$3.60 from the state and \$1.40 from his union), and an unemployed woman got \$4.32 (\$2.88 from the state and \$1.44 from the union). We calculated that a premium of 1 per cent on the wage bill would be sufficient to bring the benefits up to those mentioned in the scheme above described—*i.e.* half the average earnings, with an additional 10 per cent for a dependent wife and 5 per cent for each dependent child, up to a maximum of 75 per cent of the average earnings.

One important condition in our scheme is that though we guarantee to pay an agreed premium, we do not guarantee the benefits, which, if the

scheme were abused, might have to be reduced or even temporarily suspended. It is obviously in the interest of the employed workers who feel that they themselves may one day be in need of benefit, to guard against any contingency that might unduly deplete the fund. Its administration is in the hands of the workers, who can therefore take whatever steps they consider necessary to check abuse.

I may add that the match industry in great Britain has recently adopted a similar scheme.

Now, while I am deeply desirous of seeing a system of national insurance against unemployment, with really adequate benefits, established in every industrialized country, and while I hope that the League of Nations and all individual governments will devote thought and energy to this most important matter, I am anxious to recommend individual employers to introduce some measure of insurance in their own factories. Some may say that they cannot afford it. But purely from a business point of view, I believe that it pays to give the workers comparative security. How can we expect them, without it, to work faithfully and to "put their heart" into what they are doing?

UNEMPLOYMENT INSURANCE NOT DEMORALIZING IN EFFECT

I have heard it argued that a scheme of unemployment insurance will make men object to taking lower wages when trade is depressed. But does anyone really want to force men's wages down by the threat of sheer starvation? Can we not enter into such relations with our workers as will enable us to lower wages peaceably, when that is necessary? We had no difficulty in England, at our own factory. When we were forced to lower wages, we simply discussed the whole question with the

union leaders round a table, and we decided mutually that it was a case for reduction. There was never an angry word, never an angry thought. Our unemployment scheme made the matter easier, not more difficult.

Nor does it demoralize the workers. We had an ugly, dirty job to offer the other day in the factory. Some men who were getting \$15.60 a week unemployment benefit said: "Give us a chance at that job, if necessary at the sum we are getting now. We want to work!" The working man is no more naturally lazy than we are ourselves. We all like a holiday, but we are soon tired of it, and we want to get back into harness.

In conclusion, the evils of unemployment are such as no civilized com-

munity should tolerate. They sap the health and the vitality of millions of human beings, and they are unnecessary evils. For a weekly contribution of a few cents from each worker, and a tax of about 3 per cent on the wage bill, industry can sweep away these evils. I beg of you not only to find out and adopt every possible measure for reducing the volume of unemployment, but to introduce, without delay, a wisely considered scheme of unemployment insurance. If you cannot get a whole state, or a whole industry, to move, do your utmost in your own factories! It is a duty you owe to the workers who are your fellow citizens. It is a duty you owe to your selves. It is a duty you owe to the country.

Regularization of Industry Against Unemployment

By HENRY S. DENNISON

President, Dennison Manufacturing Company, Framingham, Massachusetts

IN discussing the question of unemployment, Mr. Rowntree has said¹ that the most important thing is to provide for its removal, but added that, as it can never be entirely removed, a proper scheme of unemployment insurance is desirable.

In this connection I want to emphasize two points: In the first place, do not forget how successful is the faculty of the human mind to find reason for the things it wants and against the things it does not want; we must therefore discount the opinion in the minds of some American business men that England is ruined by its unemployment insurance. I do not know whether unemployment insurance is the best thing or not. I am inclined to think it is an important piece of social machinery. At any rate we should not be too frightened to talk it over.

¹ See page 95.

In the second place, we must remember in considering any such vital piece of social machinery that it affects the whole social structure. Our fire hazard today is not what it was before the mutual fire insurance companies began to do business; it is very much lower. Our accident situation is different since we have had compensation policies; and if one would put in unemployment insurance, he must realize that the situation as it is today will not remain the same. With any sort of wise plan of insurance the rate of unemployment will be made better because it will be to the interest of management to make it better.

Our company has taken the plunge into unemployment insurance, and we found the water was not as cold as we thought it would be. I should like to see the next experiment in this country an attempt at mutual insurance against